

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 USIA-15 DOTE-00 L-03 PA-02 PRS-01

AID-05 CIAE-00 EB-07 FRB-01 INR-07 NSAE-00 TRSE-00

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E.O.11652:N/A

TAGS: ETRD, CI

SUBJ: DECREE LAW ON AUTOMOBILE INDUSTRY

REF: SANTIAGO 5669 AND SANTIAGO 7490

1. OFFICIAL GAZETTE OF NOVEMBER 17 PUBLISHED TEXT OF DECREE LAW 1,239 DATED OCTOBER 28, 1975, WHICH SETS OUT "NEW LEGAL REGIME FOR AUTOMOBILE INDUSTRY."

2. DECREE LAW SUBSTANTIALLY SAME AS REPORTED IN SANTIAGO 7490; LOCAL ASSEMBLY OPERATIONS LIMITED TO THREE ENTERPRISES: PERCENTAGE OF VALUE ADDED BY DOMESTIC SOURCES STARTS AT 35 PERCENT FOR PASSENGER CARS, 30 PERCENT FOR TRUCKS IN 1976, INCREASES TO 50 AND 45 PERCENT RESPECTIVELY BY 1979; IMPORTS OF FINISHED CARS AND TRUCKS WILL BE ALLOWED STARTING JANUARY 1, 1976.

3. BASIS OF CALCULATING DUTY ON IMPORTED UNITS WILL NOT INCLUDE DEALER

MARKUP (CUSTOMARILY 24 PERCENT), ACCORDING TO INTERPRETATIONS OF CUSTOMS AUTHORITIES REPORTED TO EMBASSY BY LOCAL GM REPRESENTATIVE. THIS WILL MEAN CONSIDERABLY STIFFER IMPORT COMPETITION FOR DOMESTIC ASSEMBLERS, SAYS GM REPRESENTATIVE, WHO PREDICTS THAT CHANGE WILL

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BE SOUGHT BY FIAT AND PEGEOT/RENAULT. IF DUTY RATES ARE TOO

LOW GM PREDICTS A FLOOD OF ORDERS FOR LUXURY MODELS FROM WEALTHIER CHILEANS.

4. COMMENT: WE CONSIDER GM'S INTERPRETATION OF IMPORT SITUATION TO MAKE SENSE: GOC COULD EXPECT CONSIDERABLE CRITICISM IF IT WERE TO ALLOW RELATIVELY FREE IMPORTS OF LUXURY CARS IN PERIOD OF AUSTERITY, ESPECIALLY IF IT SIGNIFICANTLY CUT INTO DEMAND FOR LOCALLY ASSEMBLED UNITS/ IF PENALTIES AGAINST SUCH IMPORTS ARE NOT INCREASED GM WOULD NOT BOTHER TO ASSEMBLE PASSENGER CARS IN CHILE, BUT WOULD CONCENTRATE EXCLUSIVELY ON TRUCKS, ACCORDING TO GM REPRESENTATIVE.

5. FULL TEXT OF AUTOMOBILE LAW FOLLOWS BY AIRGRAM.
THOMPSON

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Disposition History: n/a
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